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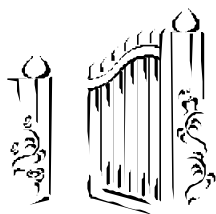


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Indiana State Teachers' Retirement Fund

Summer 2002

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At a Glance: The Member Service Center

By: Joyce Williams

In the summer of 1996, TRF established the Member Service Center to better serve members and employers. This center was given the responsibility of answering all incoming telephone calls.

The TRF Member Service Center or MSC has

evolved into much more than simply answering incoming telephone calls. The MSC spends 90% of the workday managing and answering the flow of information through telephone calls, fax machine, e-mail, letters, and memos. The MSC also collects and researches information.

The MSC analyzes and processes various types of service credit. These types of service credit include Out-of-State Credit, In-State Credit, Leave of Absence Credit, Private School Credit, Department of Defense Credit, and Military Service Credit. The staff must verify each type

of service through microfilm, microfiche, and by reviewing various files and sources. The MSC is especially busy during the summer months when thousands of Indiana teachers retire. During this time, the staff processes retirements, verifies service and communicates with employers with ease.

The staff is eager to hear your comments regarding the service you received or suggestions on how our services could be improved. For questions or comments please do not hesitate to call the Member Service Center.



Front Row: 1 to r: Clona N., LaRhonda H., Kathy K., Paul P.,--2nd Row: 1 to r: Jane L. Stephanie M., Barbara C., Don H., Joyce W., Nancy H.

COLA APPROVED FOR 2003

House Enrolled Act No. 1065

Effective Date: Effective for the benefit period starting January 1, 2003, which will start on the February 1, 2003, check.

Cost of Living Adjustments will be made to a member of the Teachers' Retirement Fund who retired or was disabled:

- after July 1, 1995, and before July 2, 2000, shall be increased by one percent (1%);
- after July 1, 1977, and before July 2, 1995, shall be increased by two percent (2%); and
- before July 2, 1977, shall be increased by three percent (3%).

➤ These increased specified in this section:

- are based upon the date of the member's latest retirement or disability;
- do not apply to benefits payable in a lump sum; and
- are in addition to any other increase provided by law.

STATEMENT ABOUT THE CURRENT MARKET

Many retired members have contacted TRF about the recent stock market fluctuations. Rest assured that stock market fluctuations do not affect individual pensions. The State of Indiana, through the Teachers' Retirement Fund, has guaranteed the pension for the life of the member and the member's survivor.

Welcome to the Indiana State Teachers' Retirement Fund Web Site

A guide to features on the new TRF web site



Web Site Services

The new TRF web site offers an array of services and information concerning both active members and retirees. Simply by clicking www.in.gov/trf/ members will be able to:

- Use the **benefit calculator** to calculate their retirement date. The calculator can also calculate future retirement benefits when the estimated retirement date, average salary and years of service are inputted.
- Access **handbooks** for active and retired members.
- Get the most commonly asked questions answered by viewing the **Frequent Asked Questions (FAQ)** page.
- Access the **Pre-Retirement Event Calendar** to find out when TRF counselors will be conducting pre-retirement workshops.
- **Change investment allocations and addresses** on-line without making a phone call or taking time to send it through mail. (You can access this feature through the Quarterly Statement tab.)
- View the **group health insurance** plan, which explains the group health plan available and assists members in evaluating their own health insurance needs.
- View the experience and training of the **Board of Trustees**.
- **Check investment plans**, which keeps members updated as to how their funds are doing and whether they need to make a change.
- Read **pension alerts**, which inform members of important information pertaining to their pensions and the Fund.

Newland's

O While not quite like death and taxes, “costs” are a close cousin. There is usually a cost when purchasing a service or product and investments are no exception. While many of us invest in individual stocks and bonds, a great number of us use a financial intermediary for retirement purposes, such as mutual funds or an annuity contract through an insurance company. Depending on the vendor, the direct costs associated with these professionally managed approaches can be considerable. Generally there is a management fee (or expense ratio), a marketing fee (what are known as 12b-1 fees), an administration fee (for custody services), and transaction fees (commissions). There may also be a sales fee (or load), and for insurance products there is usually a mortality fee to pay for the insurance element of the annuity. A recent study quoted in Kiplinger’s *Retirement Report* noted that the average annual cost of these items (exclusive of the mortality fee) was 3.1%. Add on that mortality fee for an annuity product and it is about 4%.

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e The Indiana State Teachers’ Retirement Fund offers its members five investment options: S&P 500 Index Fund, Small Cap Fund, International Fund, Bond Fund, and the Guaranteed Fund. We charge no marketing, sales, administrative, or mortality fees and transactions fees are about the same as most institutional investors. Using industry averages, the following chart compares the remaining management costs on our market valued funds (the Guaranteed Fund is a stable valued fund for which no management fee is assessed):

S

	ISTRF	Industry
S&P 500 Index Fund	.015%	.20%
Small Cap fund	.64%	1.05%
International fund	.50%	1.12%
Bond	.12%	.80%



Kiplinger’s article notes that while 3.1% may not seem exorbitant, it would eat up 31% of a 10% return. Using Kiplinger’s methodology, on average, ours would take only about over 12% of that same 10% return. This is about two-thirds less.

Some thoughts about the recent stock market turbulence. First, the Teachers’ Retirement Fund is a long-term investor, and in the long run, stocks have returned about 10% a year for the last 75 years. Second, a story in the July 17, 2002 edition of the Wall Street Journal noted that this latest drop was centered most heavily in the NASDAQ technology stocks. The NASDAQ composite is 73% off its March of 2000 high. The Dow Industrials are a far smaller 28% below their peak and the S&P500 is 41% off its high. Additionally, the Dow and S&P aren’t down as much as other recent bear markets. The S&P was off 48% in 1973-74, while the Dow fell 36% in 1987. Third, on average, the market rebounds about 20% in the year following its bottoming out. Finally, on average, approximately 80% of a retiree’s total benefit entitlement is a defined benefit that is guaranteed by the State, regardless of the performance of the underlying investments. The other 20% comes from the annuity savings account and this would be impacted only to the extent of a teacher’s participation in one of the market valued funds. The Guaranteed Fund, which is not a market valued fund, would continue to pay the guaranteed rate (currently 7%).

Contacting Your Fund

You can find out about the following at our main numbers:

(317) 232-3860

Toll-Free (888) 286-3544

- ✓ Benefits Checks Deductions
- ✓ Benefit Check Health Insurance Deductions
- ✓ Counseling
- ✓ Death Reports
- ✓ Direct Deposits
- ✓ Lost Checks
- ✓ Service Credit
- ✓ Withdrawals

Other Services:

Investments.....	(317) 232-3868
TDD/TTY.....	(317) 233-3306
Director's Office...	(317) 232-3869
FAX Number.....	(317) 232-3882

Visit our site on the World Wide Web at:
<http://www.in.gov/trf>

You can send our office an electronic mail message at: trf@state.in.us

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Just for Laughs

Lipstick at School

According to a news report, a certain private school in Victoria recently was faced with a unique problem. A number of 12-year-old girls were beginning to use lipstick and would put it on in the bathroom. That was fine, but after they put on their lipstick they would press their lips to the mirror leaving dozens of little lip prints. Every night, the maintenance man would remove them and the next day, the girls would put them back.

Finally the principal decided that something had to be done. She called all the girls to the bathroom and met them there with the maintenance man. She explained that all these lip prints were causing a major problem for the custodian who had to clean the mirrors every night. To demonstrate how difficult it had been to clean the mirror, she asked the maintenance man to show the girls how much effort was required. He took out a long-handled squeegee, dipped it in the toilet, and cleaned the mirror with it. Since then there have been no lip prints on the mirror.

Board of Trustees set new rate for Guaranteed Fund

Effective July 1, 2002, the annual rate of return for the Guaranteed Fund will be 7.0% per annum. The Fund's Board of Trustees determined this change at their May 6, 2002 meeting. The Guaranteed Fund is the only investment option that ensures a quarterly return and does not involve investment risk. Since the inception of the alternative investments, the Guaranteed Fund's rate of return has been favorable on a comparative basis. Anyone with questions concerning the Guaranteed Fund should review the pamphlet entitled "Investing Your Annuity Saving Account," available from the Fund's web site or by contacting the Fund's Member Service Center.

The *Primer* is published by the Fund to update members on Fund news and to give general information about Fund benefits. Specific information is available in the Active Member's Handbook, the Retiring Member's Guidebook or by contacting the office.

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